

Message Text

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7254

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E.O. 11652: NA

TAGS: BPRO, RP

SUBJECT: EXIMBANK BANK GUARANTEE FOR SALE OF CONSTRUCTION EQUIPMENT
TO CONSTRUCTION AND DEVELOPMENT CORPORATION MAKATI,
PHILIPPINES

REF: STATE 188460, STATE 204477

1. EMBASSY PERCEIVES NO OBJECTION TO EXIMBANK'S GUARANTEE
OF SALE OF CONSTRUCTION EQUIPMENT TO CONSTRUCTION AND DEVELOPMENT
CORPORATION OF THE PHILIPPINES (CDCP).

2. CORPORATION'S RECENT INCREASE IN OPERATIONS HAS BEEN
SUBSTANTIAL. REVENUE FROM OPERATIONS IN THE YEAR ENDING
JUNE 1975 TOTALLED \$254,100,923, SOME 200 PCT OVER THE JUNE
1974 YEAR END LEVEL OF \$84,145,174. INFLATION AND CORPORATION'S
EXPANSION PROGRAM, WHICH COMMENCED DURING THE
EARLY PART OF 1974, HAS INCREASED RELIANCE ON BORROWINGS, AND
DEBT-EQUITY RATION OF 6.8 IN 1974 ROSE TO 7.3 IN 1975.
LIQUIDITY RATION DECREASED FROM 2.91 IN 1974 TO 1.24 IN
1975. CONTRACT BIDS MADE PRIOR TO 1974 ESPECIALLY ON
ROAD PROJECTS, FAILED TO MAKE ENOUGH ALLOWANCE FOR THE
33 PCT AVERAGE INFLATION RATE WHICH THE COUNTRY EXPERIENCED
DURING 1974. TO FULFILL CONTRACTS, CDCP RESORTED
TO BORROWINGS. CDCP EXPECTS TO RECOVER COSTS BY
NEGOTIATION OF ESCALATION FOLLOWING COMPLETION OF EACH PROJECT.
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ONE OF CDCP'S LARGEST PROJECTS IS CURRENT MANILA CAVITE

COASTAL ROAD PROJECT, WHICH INVOLVES EXTENSIVE LAND FILL IN MANILA BAY. BY AGGREEMENT BETWEEN THE GOVERNMENT AND CDCP, RECLAMATION OF THE TOTAL PROJECT AREA WILL BE DONE ON AREA-BY-AREA BASIS. ONCE A SPECIFIC AREA IS COMPLETELY RECLAIMED, THE GOVERNMENT BUYS LAND AT PRICE SUFFICIENT TO COVER CDCP'S COST AND SUBSTANTIAL PORTION OF EXPENDITURE IN RECLAIMING NEXT AREA. PROJECT IS THUS SELF-FINANCING.

3. CDCP'S VENTURE IN SAUDI ARABIA WILL FOCUS ON SAUDI GOVERNMENT'S INFRASTRUCTURE, BUILDING CONSTRUCTION AND SOCIAL WELFARE PROJECTS. CORPORATION'S INITIAL PLAN IS TO OPERATE AS GENERAL CONTRACTORS FOR ROAD AND BUILDING CONSTRUCTION PROJECTS. CDCP WILL BID FOR CONTRACTS WHICH WOULD AMOUNT TO SOME \$10 MILLION PER ANNUM CONSISTING OF 37 PCT OF SAUDI ARABIA'S NATIONAL BUDGET FOR ROAD AND SEAPORTS FOR FY 1975-76 AND 0.24 PCT OF THE BUDGET FOR EDUCATIONAL AND PUBLIC HEALTH STRUCTURES FOR SAME PERIOD. PLEASE ADVISE IF MORE SPECIFIC OR DETAILED INFORMATION ON SAUDI ARABIAN PROJECTS DESIRED.

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